BCC INFORMAL REGULAR SESSION

DATE: Wednesday, July 10, 2013

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Clermont County

July 10, 2013

Judi Meyer, Sr. Vice President/Account Manager
Steve Ashe, Account Manager
Valerie Bogdan-Powers, Vice President Group Operations

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Agenda

Medical Background • Self funding background to include three year summary of costs for plan year • High level overview of Health Care Reform taxes and fees • Basics of Self Funded Medical Plan ***2014 Requests for Proposal*** ***Medical RFP*** • Current status – Who, When, What • Discussion on Core Options / Strategies • Milliman Analysis	30 minutes
Onsite Clinic RFP • Review background / overview of clinic model • Current status of RFP – Who, What, When ***Decision Criteria***	20 minutes
Timeline • Review and input to timeline	10 minutes

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Background

- Clermont County has been self-funded with Humana for over eight years. Humana offers the network (with 50-51% average network discounts), claims administration and payments and disease management programs.

- Two medical plans have been offered in most recent years until January 2013 when a third plan, HDHP, was included in plan offerings. The enrollment for the HDHP was 27% in January (HORAN projected 25%).

- Clermont County does have specific and aggregate reinsurance protection for large claims and overall high utilization. The stop loss is purchased through Humana. The specific deductible is $200,000. The aggregate corridor is 125% which is the most Clermont County will pay in one plan year.

- Humana also administers the pharmacy claims and provides the pharmacy network.

- HORAN has conducted market checks based on Clermont County strategy to make sure costs are inline with market.

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CLAIMS EXPERIENCE

Three Year Plan Year Summary

Plan Year & Carrier	Avg Subs	Total Claims	Specific Reimbursement	Total *Net Claims	Fixed Cost	Total *Net Cost	Total *Net Cost PEPM
2010 - Humana	1,086	$9,006,727	$264,716	$8,742,011	$972,767	$9,714,778	$746
2011 - Humana	1,071	$9,411,654	$556,782	$8,854,872	$1,132,298	$9,987,170	$777
2012 - Humana	1,061	$10,684,107	$81,558	$10,602,549	$1,188,654	$11,791,203	$926

Claims In summary*:

- Claims increased by 2.7% from 2010 to 2011
- In 2012 claims had a significant increase of 20.1%. The 2012 claims increase was largely driven by an increase in the number of members with claims between $25,000 - $49,999. 44 members had claims in this range and total paid was $1,752,194. Previous years: 2011, 28 members and $1,016,459 and 2010: 33 members and $1,233,922.
- Prescription drug claims as a percentage of total claims spend has remained constant at 17% each year. Generic drug utilization has increased each year from 73.6% to 75.7% to 79.7%.

*Claims = paid by Clermont County below the specific deductible of $200,000

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Large Claims

- Clermont County's specific stop loss deductible is $200,000. This means Clermont County pays the first $200,000 for an individuals claims then the stop loss carrier will pay the balance.
- Large Claims have been volatile over the last four years. In 2013, with data through May (5 months of plan year), large claimants have spiked. Claims are exceeding the benchmark of 25% of total spend. Clermont County has already had more claims exceed the deductible in 5 months of 2013 than all of 2012.

	2013	2012	2011	2010
# of Claims over specific	3	2	2	2
# of High Cost* Claims	5	8	7	5
Total Cost of High Cost* Members	$1,870,033	$1,302,577	$1,688,339	$994,447
% of Cost of High Cost* Members**	38.5%	12.2%	17.9%	11.0%
Largest Claim	$1,068,292	$271,385	695,708	$353,587

*High cost members are defined as those with claims 50% of the deductible.

** Benchmark as a percentage of total spend 25%.

Current Data through 5/31/2013

- During the first 5 months of the 2013 plan year the County has experienced high volatility in claims. This is largely the result of one particular high claimant - $1,068,292.

- Despite this volatility, the County is currently running at a PEPM of $742. The County budgeted on a PEPM of $847.

	Enrolled (A)	Medical Claims (B)	Rx Claims (C)	Total Claims (D) = (B+C)	Fixed Costs (E)	Claims PEPM (D/A)	Total Cost PEPM (D+E/A)
Jan-13	1036	$516,035	$115,425	$631,460	$104,139	$610	$710
Feb-13	1037	$946,582	$104,843	$1,051,425	$104,239	$1,014	$1,114
Mar-13	1041	$850,751	$120,316	$971,067	$104,641	$933	$1,033
Apr-13	1049	$613,476	$112,800	$726,276	$105,445	$692	$793
May-13	1058	$1,351,000	$121,510	$1,472,510	$106,350	$1,392	$1,492
Total	**1044**	**$4,277,844**	**$574,894**	**$4,852,738**	**$524,815**	**$929**	**$1,030**
		Specific Deductible Reimbursement ($200,000)		**$979,670**	**Specific Deductible Premium ($200,000)**		**$302,714**
		Net of Claims Over Specific Deductible ($200,000)		**$3,873,068**	**$524,815**	**$742**	**$842**

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HEALTH CARE REFORM SUMMARY

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Health Care Reform Overview

- **Increase number of Americans with health coverage**
  - Inducements for employers to offer coverage and individuals to obtain coverage
  - Expanded Medicaid eligibility

- **Reform Insurance Industry Practices**
  - Proper premium calculation
  - Underwriting practices that allow individuals to obtain coverage rather than deny the sick and cover the well

- **Slow Health Care Cost Increases**
  - Provider payments based on quality rather than quantity
  - Fund research on appropriate care
  - Penalties for waste, fraud, and abuse

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Funding Framework of Who and How

Employers

WHAT: Fines & Penalties

$$$

Insurers

(ultimately employer)

WHAT: Taxes & Fees

Individuals

WHAT: Taxes & Fees

Current PCORI Fee, Introduced in 2012

- **Patient Centered Outcomes Research Fee**

  Funds a government agency that will research, evaluate and compare health outcomes, clinical effectiveness, & risk and benefits of various medical treatments

- Fee began in 2012 - $1 per member per year

- 2013 & 2014 increase to $2 pmpy

- Will increase in 2015 and expires in 2016

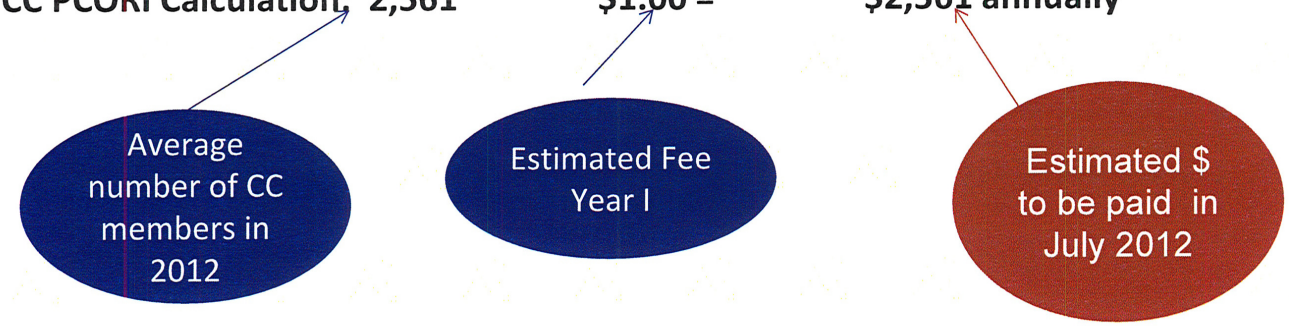
- Clermont County will pay each July on form 720

Current PCORI Fee, Introduced in 2012

Impacting the Employer:

- **Patient Centered Outcomes Research Fee:** Funds a government agency that will research, evaluate and compare health outcomes, clinical effectiveness, & risk and benefits of various medical treatments
- Fee began in 2012 - $1 per member per year
- 2013 & 2014 increase to $2 pmpy
- Will increase in 2015 and expires in 2016
- Clermont County will pay each July on form 720

CC PCORI Calculation: 2,561 $1.00 = $2,561 annually

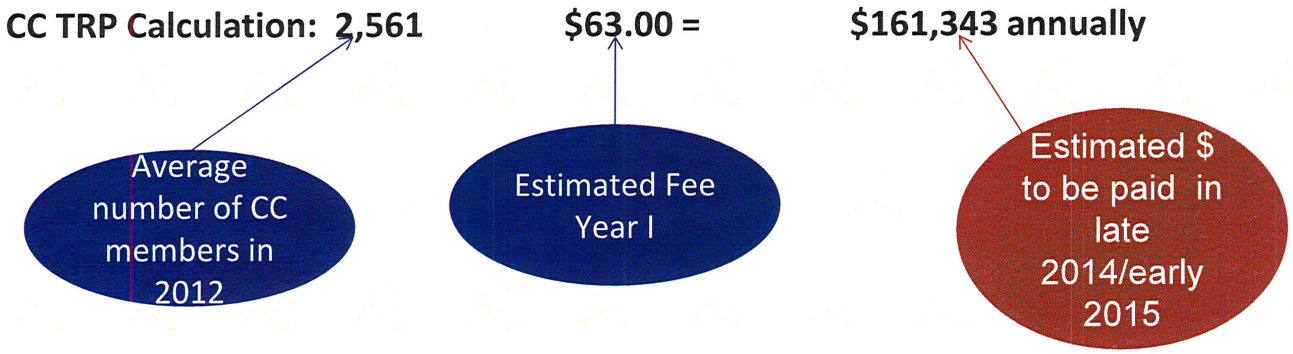


July 2014 estimated fee: $5,122

New, 2014: Transitional Reinsurance Fee,

Impacting the Employer:

- **Transitional Reinsurance Plan fees (TRP):** Program established to help stabilize premium increases in the individual market due to guaranteed availability
  - Estimated at $63 per member per year in the first year funding of $12B
  - Fees are intended to reduce each year based on $ needed-$8B (Year II), $5B (Year III)



Penalties Under Employer Mandate

This mandate has been delayed until 2015. Announcement made July 2 and further guidance to be issued within a week.

Penalty #1 – Fail to Offer Coverage	Penalty #2 – Coverage Below Minimum
Penalty on the applicable large employer that **does not offer group health benefit plan coverage to its full-time employees**	Penalty on the applicable large employer that offers coverage – but the coverage is: • **Not affordable** – the employee's share of the premium > 9.5% of household income **or** • The plan's share of covered health benefit costs (the "actuarial value") does not offer **minimum value** – it is less than 60%
Penalty Trigger • One Full Time Employee enrolls in exchange and receives premium tax subsidy (400% FPL)	**Penalty Trigger** • One Full Time Employee enrolls in exchange and receives premium tax subsidy (400% FPL)
Penalty Amount • Total number of FTEs, minus 30, multiplied by $2000	**Penalty Amount** • # of FTE enrolled in Exchange x $3000

HORAN is currently working on an analysis to understand impact to CC.

HCR also requires large employers to offer define medical benefit eligible employees as those that work over 30 hours on average per week.

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BASICS OF SELF-FUNDED MEDICAL PLAN

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Components of a Self Funded Plan

- A third-party administrator (TPA)
  - Pays the claims on behalf of the employer

If an insurance carrier provides administrative services, it is called an **ASO contract**

- A provider network
  - Provides discounts on claims so that employers do not pay the full cost of billed charges

- A pharmacy benefit manager (PBM)
  - Provides a network and discounts on prescription drug claims

- A reinsurance or stop loss carrier
  - Protects employer from adverse utilization and large claims

Under an ASO contract administration, provider network, PBM services, and stop loss are often bundled. Stop loss is the services most commonly carved out with another vendor

Stop Loss Coverage

- Stop Loss or Reinsurance provides protection against large losses
  - Protects groups from catastrophic losses
- Stop Loss insures the EMPLOYER not the employee
- Provides protection for claims over a predetermined threshold and can include medical claims or medical and pharmacy claims
- Two types of Stop Loss:
  - Specific – claims per person
    - Covers each plan participant

  - Aggregate – total claims of the group

With pharmacy playing such a large role in medical treatment, pharmacy claims should be included to provide the most employer protection

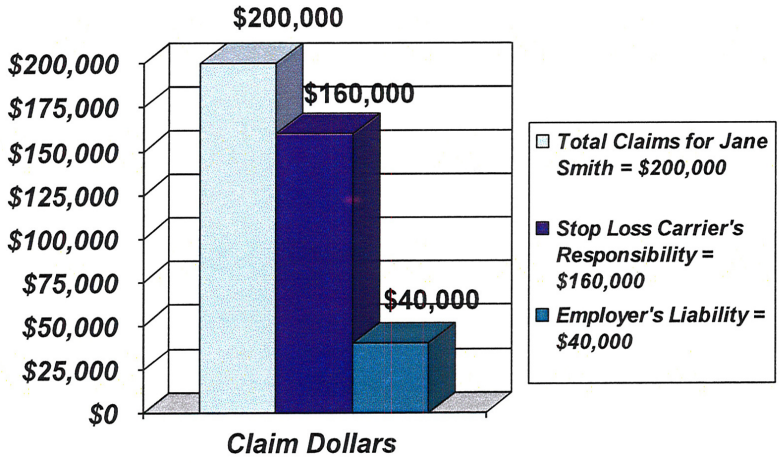
A Closer Look at Specific Stop Loss

- Covers each plan participant
- Sets a claims cap for each plan participant, called the **specific deductible** or **individual deductible**
- Reimburses the employer for claims exceeding the individual deductible up to the policy limit of ($1M, $2M, $5M, or unlimited)
- Specific deductible is usually set between 5% and 15% of annual expected paid claims

Example:

Specific Stop Loss deductible: $40,000

Jane Smith's claim: $200,000
Employer's Liability = $40,000
Stop-loss Carriers responsibility = $160,000



Aggregate Stop Loss Coverage

- Sets an annual cap for the employer's claims liability
- Annual attachment point (deductible) typically set between 120% and 125% of the expected paid claims
- Claims which exceed the individual deductible and are reimbursed, do not accumulate toward the aggregate deductible

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2014 REQUESTS FOR PROPOSAL

Medical and Prescription Drug Request for Proposal

- HORAN has sent to Market the Medical and Prescription Drug RFP. There are three components:
  - Medical claims administration with a network of medical providers
  - Specific and aggregate stop loss insurance
  - Prescription claims administration with a network of pharmacies

- Request sent to:
  - Humana, incumbent – Administrative Services
  - Anthem through CEBCO (The County Employee Benefits Consortium of Ohio)
  - Medical Mutual of Ohio
  - UMR, a third party administrator owned by UnitedHealthcare
  - Custom Design Benefits, third party administrator quoting Health Span network (owned by Mercy)

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Onsite Clinic Request for Proposal

- Onsite Clinic is a site is set up like a doctors office that is utilized by employees and their families for one or more employers. It is intended to compliment a Primary Care Physician (PCP) and work in coordination with the member's physician.
- Employers goals for the onsite health center model to:
  - Control and reduce health care costs through accessibility and affordability
  - Measurably improve worker productivity
  - Provide an employment benefit that compares favorably to other employers
- Execution varies by employer:
  - Onsite full service clinic
  - Near site full service clinic
  - Shared full service clinic centrally located
  - A physician or nurse onsite regularly at different buildings with limited services
  - A current provider site that is open to public with limited services

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Onsite Clinic Services

- The costs are paid 100% by the employer (can offer cost sharing) and are separate from medical plan.

- The clinic can be staffed with a physician and/or a nurse practitioner or a medical assistant. Staffing is based on employer(s) decisions and the number of members having access to the clinic.

- Decisions on services offered are made by employer(s). The best practice is:
  - Annual physical and immunizations
  - Flu shots
  - Care of basic illnesses (flu, sinus and ear infections, rashes etc.)
  - Generic drug dispensing (antibiotics, chronic conditions etc.)

- Optional services are physical and occupational therapy – normally offered in year 2 or 3 of clinic based on volume of workers compensation claims

Onsite Vendors

- Quote sent to the following:
  - Activate Health
  - CareHere
  - Concentra (owned by Humana)
  - Mercy
  - Novia Care

Decision Criteria Discussion

- **Cost of Claims – 89% of Clermont County 2012 Medical Plan costs**
  - Network discount – cost of claims paid by Clermont County and Members
  - Billable Charges (different hospital systems charge different rates for same services)
  - HORAN has engaged Milliman[1] on Clermont County's behalf to develop the baseline experience for Clermont County and a hospital system/facility analysis to understand the cost of care for Clermont County members. This will help Clermont County to understand the impact of a smaller network versus a larger network offering.

- Medical Management: Services that the medical plan administrator or network offer to ensure large claim case management, chronic disease management and access to nurses to provide guidance and direction of care.

[1]Milliman is a large independent actuarial firm. Their consulting practices include employee benefits, health care, life insurance, financial services and casualty insurance.

Decision Criteria Discussion

- **Network of providers – providers in the network that are associated with the medical plan**
  - Large network – Humana NPOS, Anthem Blue Access, UHC Choice Plus, Health Span
  - Narrow Network – Mercy Preferred and Humana X
    - Mercy Preferred is made of all Mercy owned hospitals and providers (Allied Physician partnership to fill in the gaps)
    - Humana X is made up of St Elizabeth system in Northern Kentucky and TriHealth system in Cincinnati
  - HORAN has obtained a list of all providers that Clermont County members seek care from and both Humana and Health Span are working on a provider disruption to see how many members would need to change providers for the narrow network offering.
  - Provider Access and Capacity
    - How many providers are within 5 miles of a Clermont County member's home or place of work
    - Are network providers accepting new patients
    - Health Care Reform's mandate that all Americans have health insurance coverage in 2014 will create provider capacity challenges. In Massachusetts's there is a 90 day wait for a new patient appointment with a new physician. We expect this to be the same or longer in most areas.

Decision Criteria Discussion

- Type of clinic:
  - Onsite full service clinic
  - Near site full service clinic
  - Shared full service clinic centrally located
  - A physician or nurse onsite weekly at different buildings with limited services
  - A current provider site that is open to public with limited services

- Financial impact to medical plan costs and "clinic" costs

- When does Clermont County want to implement an "clinic" for employees and covered dependents?

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Timeline

- June 6: Medical and Onsite clinic RFP sent out to market by HORAN on June 6th
- June 27: Market bids received
  - HORAN is currently analyzing bids and clarifying information and numbers
- July 8: Meeting with Clermont County administration to review information exchange and RFP timeline presentation
- July 10: Meeting with Clermont County Commissioners for information exchange and RFP timeline
- July 24: Meeting with Clermont County administration on to review draft of proposals
- August 7: Meeting with Clermont County Commissioners to review RFP proposals
- Follow up meetings in August
- Final decisions by September 15th for successful 1/1/14 implementation or renewal

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Glossary of Frequently Used Terms

- **Administrative Services Only (ASO)** – A self funded administrative agreement generally purchased through an insurance carrier
- **Aggregate Claims** – Refers to the total claims paid by the group
- **Aggregate Stop Loss** – The stop loss product that insures a company from the claims experience of the entire group
- **Contract Type** – Defines claims covered under the contract by when they were incurred and paid
- **Pharmacy Benefit Manager Stop Loss** – A company hired to provide a network of pharmacies, negotiate prescription discounts, manage pharmacy costs, and process claims on behalf of the employer
- **Reinsurance** – See definition of stop loss
- **Specific Deductible** – The amount of employer liability per individual plan participant identified in the stop loss contract
- **Specific Stop Loss** – The stop loss product that insurance a company from the risk of individual large claims over a specified threshold called the specific deductible

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Glossary of Frequently Used Terms

- **Stop Loss** – An insurance product purchased by an employer to protect the company from large losses
- **Terminal Liability Option (TLO)** – A stop loss policy rider that can be purchased to extend contract coverage at the termination of the self funded plan usually an additional three months providing coverage during claims runout
- **Third Party Administrator (TPA)** – A company hired to process claims on behalf of the employer